Savings and loan crisis

From Wikipedia, the free encyclopedia

The **savings and loan crisis** of the 1980s and 1990s (commonly dubbed the **S&L crisis**) was the failure of about 747 out of the 3,234 savings and loan associations in the United States. A savings and loan or "thrift" is a financial institution that accepts savings deposits and makes mortgage, car and other personal loans to individual members—a cooperative venture known in the United Kingdom as a Building Society. "As of December 31, 1995, RTC estimated that the total cost for resolving the 747 failed institutions was $87.9 billion." The remainder of the bailout was paid for by charges on savings and loan accounts[1]—which contributed to the large budget deficits of the early 1990s.

The concomitant slowdown in the finance industry and the real estate market may have been a contributing cause of the 1990–91 economic recession. Between 1986 and 1991, the number of new homes constructed per year dropped from 1.8 million to 1 million, which was at the time the lowest rate since World War II. [2]

Contents

Background

The thrift industry has its origins in the British building society movement that emerged in the late 18th century. American thrifts (known then as "building and loans" or "B&Ls") shared many of the same basic goals: to help working-class men and women save for the future and purchase homes. Thrifts were not-for-profit cooperative organizations that were typically managed by the membership and local institutions that served well-defined groups of aspiring homeowners. While banks offered a wide array of products to individuals and businesses, thrifts often made only home mortgages primarily to working-class men and women. Thrift leaders believed they were part of a broader social reform effort and not a financial industry. According to thrift leaders, B&Ls not only helped people become better citizens by making it easier to buy a home, they also taught the habits of systematic savings and mutual cooperation which strengthened personal morals.[3]

The first thrift was formed in 1831, and for 40 years there were few B&Ls, found in only a handful of Midwestern and Eastern states. This situation changed in the late 19th century as urban growth and the demand for housing related to the Second Industrial Revolution caused the number of thrifts to explode. The popularity of B&Ls led to the creation of a new type of thrift in the 1880s called the "national" B&L. The "nationals" were often for-profit businesses formed by bankers or industrialists that employed promoters to form local branches to sell shares to prospective members. The "nationals" promised to pay savings rates up to four times greater than any other financial institution.

The Depression of 1893 (the Panic of 1893) caused a decline in members, and so "nationals" experienced a sudden reversal of fortunes. Because a steady stream of new members was critical for a "national" to pay both the interest on savings and the hefty salaries for the organizers, the falloff in payments caused dozens of "nationals" to fail. By the end of the 19th century, nearly all the "nationals" were out of business (National Building and Loans Crisis). This led to the creation of the first state regulations governing B&Ls, to make thrift operations more uniform, and the formation of a national trade association to not only protect B&L interests, but also promote business growth. The trade association led efforts to create more uniform accounting, appraisal, and lending procedures. It also spearheaded the drive to have all thrifts refer to themselves as "savings and loans" not B&Ls, and to convince managers of the need to assume more professional roles as financiers.[3]

In the 20th century, the two decades that followed the end of World War II were the most successful period in the history of the thrift industry. The return of millions of servicemen eager to take up their prewar lives led to a dramatic increase in new families, and this "baby boom" caused a surge in new mostly suburban home construction. By the 1940s S&Ls (the name change occurred in the late 1930s) provided most of the financing for this expansion. The result was strong industry expansion that lasted through the early 1960s.

An important trend involved raising rates paid on savings to lure deposits, a practice that resulted in periodic rate wars between thrifts and even commercial banks. These wars became so severe that in 1966 the United States Congress took the highly unusual move of setting limits on savings rates for both commercial banks and S&Ls. From 1966 to 1979, the enactment of rate controls presented thrifts with a number of unprecedented challenges, chief of which was finding ways to continue to expand in an economy characterized by slow growth, high interest rates and inflation. These conditions, which came to be known as stagflation, wreaked havoc with thrift finances for a variety of reasons. Because regulators controlled the rates thrifts could pay on savings, when interest rates rose depositors often withdrew their funds and placed them in accounts that earned market rates, a process known as disintermediation. At the same time, rising rates and a slow growth economy made it harder for people to qualify for mortgages that in turn limited the ability to generate income.[3]

In response to these complex economic conditions, thrift managers came up with several innovations, such as alternative mortgage instruments and interest-bearing checking accounts, as a way to retain funds and generate lending business. Such actions allowed the industry to continue to record steady asset growth and profitability during the 1970s even though the actual number of thrifts was falling. Despite such growth, there were still clear signs that the industry was chafing under the constraints of regulation. This was especially true with the large S&Ls in the western U.S. that yearned for additional lending powers to ensure continued growth. Despite several efforts to modernize these laws in the 1970s, few substantive changes were enacted.[3]

In 1979, the financial health of the thrift industry was again challenged by a return of high interest rates and inflation, sparked this time by a doubling of oil prices. Because the sudden nature of these changes threatened to cause hundreds of S&L failures, Congress finally acted on deregulating the thrift industry. It passed two laws, the Depository Institutions Deregulation and Monetary Control Act of 1980 and the Garn–St. Germain Depository Institutions Act of 1982. The deregulation not only allowed thrifts to offer a wider array of savings products, but also significantly expanded their lending authority. These changes were intended to allow S&Ls to "grow" out of their problems, and as such represented the first time that the government explicitly sought to increase S&L profits as opposed to promoting housing and homeownership. Other changes in thrift oversight included authorizing the use of more lenient accounting rules to report their financial condition, and the elimination of restrictions on the minimum numbers of S&L stockholders. Such policies, combined with an overall decline in regulatory oversight (known as forbearance), would later be cited as factors in the collapse of the thrift industry.[3]

Causes

Tax Reform Act of 1986

By enacting 26 U.S.C. § 469 (http://www.law.cornell.edu/uscode/26/469.html) (relating to limitations on deductions for passive activity losses and limitations on passive activity credits) to remove many tax shelters, especially for real estate investments, the Tax Reform Act of 1986 significantly decreased the value of many such investments which had been held more for their tax-advantaged status than for their inherent profitability. This contributed to the end of the real estate boom of the early-to-mid-1980s and facilitated the Savings and Loan crisis.[4] Prior to 1986, much real estate investment was done by passive investors. It was common for syndicates of investors to pool their resources in order to invest in property, commercial or residential. They would then hire management companies to run the operation. TRA 86 reduced the value of these investments by limiting the extent to which losses associated with them could be deducted from the investor's gross income. This, in turn, encouraged the holders of loss-generating properties to try to unload them, which contributed further to the problem of sinking real estate values.[*citation needed*]

Moral Hazard

The deregulation of S&Ls in 1980 gave them many of the capabilities of banks, without the same regulations as banks. Savings and loan associations could choose to be under either a state or a federal charter. Immediately after deregulation of the federally chartered thrifts, state-chartered thrifts rushed to become federally chartered, because of the advantages associated with a federal charter. In response, states such as California and Texas changed their regulations to be similar to federal regulations.[*citation needed*]

More important, however, was the moral hazard of insuring already troubled institutions with public dollars. In the view of a savings and loan president or manager, the trend line was fatal over the long haul; thus, to get liquid, the institution had to take on riskier assets, particularly land. When the real estate market crashed, the S&Ls went with it. By insuring the risk, the government guaranteed that desperate S&L owners and managers would engage in ever more risky investments, knowing that if they were successful, the institution would be saved, and if unsuccessful, their depositors would still be bailed out.[*citation needed*]

Imprudent real estate lending

In an effort to take advantage of the real estate boom (outstanding U.S. mortgage loans: 1976 $700 billion; 1980 $1.2 trillion)[5] and high interest rates of the late 1970s and early 1980s, many S&Ls lent far more money than was prudent, and to ventures which many S&Ls were not qualified to assess, especially regarding commercial real estate. L. William Seidman, former chairman of both the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation, stated, "The banking problems of the '80s and '90s came primarily, but not exclusively, from unsound real estate lending."[6]

Brokered deposits

Deposit brokers, somewhat like stockbrokers, are paid a commission by the customer to find the best certificate of deposit (CD) rates and place their customers' money in those CDs. Previously, banks and thrifts could only have five percent of their deposits be brokered deposits; the race to the bottom caused this limit to be lifted. A small one-branch thrift could then attract a large number of deposits simply by offering the highest rate. To make money off this expensive money, it had to lend at even higher rates, meaning that it had to make more, riskier investments. This system was made even more damaging when certain deposit brokers instituted a scam known as "linked financing." In "linked financing", a deposit broker would approach a thrift and say he would steer a large amount of deposits to that thrift if the thrift would lend certain people money. The people, however, were paid a fee to apply for the loans and told to give the loan proceeds to the deposit banker.

End of inflation

Another factor was the efforts of the federal reserve to wring inflation out of the economy, marked by Paul Volcker's speech of October 6, 1979, with a series of rises in short-term interest rates. This led to a scenario in which increases in the short-term cost of funding were higher than the return on portfolios of mortgage loans, a large proportion of which may have been fixed rate mortgages (a problem that is known as an asset-liability mismatch). Interest rates continued to skyrocket, placing even more pressure on S&Ls as the 1980s dawned and led to increased focus on high interest-rate transactions. Zvi Bodie, professor of finance and economics at Boston University School of Management, writing in the St. Louis Federal Reserve *Review* wrote, "asset-liability mismatch was a principal cause of the Savings and Loan Crisis".[7]

Major causes according to United States League of Savings Institutions

The following is a detailed summary of the major causes for losses that hurt the savings and loan business in the 1980s:[8]

1. Lack of net worth for many institutions as they entered the 1980s, and a wholly inadequate net worth regulation.
2. Decline in the effectiveness of Regulation Q in preserving the spread between the cost of money and the rate of return on assets, basically stemming from inflation and the accompanying increase in market interest rates.
3. Absence of an ability to vary the return on assets with increases in the rate of interest required to be paid for deposits.
4. Increased competition on the deposit gathering and mortgage origination sides of the business, with a sudden burst of new technology making possible a whole new way of conducting financial institutions generally and the mortgage business specifically.
5. Savings and Loans gained a wide range of new investment powers with the passage of the Depository

Institutions Deregulation and Monetary Control Act and the Garn–St. Germain Depository Institutions Act. A number of states also passed legislation that similarly increased investment options. These introduced new risks and speculative opportunities which were difficult to administer. In many instances management lacked the ability or experience to evaluate them, or to administer large volumes of nonresidential construction loans.

6. Elimination of regulations initially designed to prevent lending excesses and minimize failures. Regulatory relaxation permitted lending, directly and through participations, in distant loan markets on the promise of high returns. Lenders, however, were not familiar with these distant markets. It also permitted associations to participate extensively in speculative construction activities with builders and developers who had little or no financial stake in the projects.
7. Fraud and insider transaction abuses.
8. A new type and generation of opportunistic savings and loan executives and owners—some of whom operated in a fraudulent manner — whose takeover of many institutions was facilitated by a change in FSLIC rules reducing the minimum number of stockholders of an insured association from 400 to one.
9. Dereliction of duty on the part of the board of directors of some savings associations. This permitted management to make uncontrolled use of some new operating authority, while directors failed to control expenses and prohibit obvious conflict of interest situations.
10. A virtual end of inflation in the American economy, together with overbuilding in multifamily, condominium type residences and in commercial real estate in many cities. In addition, real estate values collapsed in the energy states — Texas, Louisiana, and Oklahoma — particularly due to falling oil prices — and weakness occurred in the mining and agricultural sectors of the economy.
11. Pressures felt by the management of many associations to restore net worth ratios. Anxious to improve earnings, they departed from their traditional lending practices into credits and markets involving higher risks, but with which they had little experience.
12. The lack of appropriate, accurate, and effective evaluations of the savings and loan business by public accounting firms, security analysts, and the financial community.
13. Organizational structure and supervisory laws, adequate for policing and controlling the business in the protected environment of the 1960s and 1970s, resulted in fatal delays and indecision in the examination/supervision process in the 1980s.
14. Federal and state examination and supervisory staffs insufficient in number, experience, or ability to deal with the new world of savings and loan operations.
15. The inability or unwillingness of the Bank Board and its legal and supervisory staff to deal with problem institutions in a timely manner. Many institutions, which ultimately closed with big losses, were known problem cases for a year or more. Often, it appeared, political considerations delayed necessary supervisory action.

Failures

The United States Congress granted all thrifts in 1980, including savings and loan associations, the power to make consumer and commercial loans and to issue transaction accounts. Designed to help the thrift industry retain its deposit base and to improve its profitability, the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) of 1980 allowed thrifts to make consumer loans up to 20 percent of their assets, issue credit cards, accept negotiable order of withdrawal (NOW) accounts from individuals and nonprofit organizations, and invest up to 20 percent of their assets in commercial real estate loans.

The damage to S&L operations led Congress to act, passing the Economic Recovery Tax Act of 1981 (ERTA) in August 1981 and initiating the regulatory changes by the Federal Home Loan Bank Board allowing S&Ls to sell their mortgage loans and use the cash generated to seek better returns soon after enactment;[9] the losses created by the sales were to be amortized over the life of the loan, and any losses could also be offset against taxes paid over the preceding 10 years.[10] This all made S&Ls eager to sell their loans. The buyers—major Wall Street firms—were quick to take advantage of the S&Ls' lack of expertise, buying at 60%-90% of value and then transforming the loans by bundling them as, effectively, government-backed bonds (by virtue of Ginnie Mae, Freddie Mac, or Fannie Mae guarantees). S&Ls were one group buying these bonds, holding $150 billion by 1986, and being charged substantial fees for the transactions.

In 1982, the Garn-St Germain Depository Institutions Act was passed and increased the proportion of assets that thrifts could hold in consumer and commercial real estate loans and allowed thrifts to invest 5 percent of their assets in commercial loans until January 1, 1984, when this percentage increased to 10 percent.[11]

A large number of S&L customers' defaults and bankruptcies ensued, and the S&Ls that had overextended themselves were forced into insolvency proceedings themselves.

The Federal Savings and Loan Insurance Corporation (FSLIC), a federal government agency that insured S&L accounts in the same way the Federal Deposit Insurance Corporation insures commercial bank accounts, then had to repay all the depositors whose money was lost. From 1986 to 1989, FSLIC closed or otherwise resolved 296 institutions with total assets of $125 billion. An even more traumatic period followed, with the creation of the Resolution Trust Corporation in 1989 and that agency's resolution by mid-1995 of an additional 747 thrifts.[12]

A Federal Reserve Bank panel stated the resulting taxpayer bailout ended up being even larger than it would have been because moral hazard and adverse selection incentives that compounded the system's losses.[13]

There also were state-chartered S&Ls that failed. Some state insurance funds failed, requiring state taxpayer bailouts.

Home State Savings Bank of Cincinnati

In March 1985, it came to public knowledge that the large Cincinnati, Ohio-based Home State Savings Bank was about to collapse. Ohio Gov. Dick Celeste declared a bank holiday in the state as Home State depositors lined up in a "run" on the bank's branches to withdraw their deposits. Celeste ordered the closure of all the state's S&Ls. Only those that were able to qualify for membership in the Federal Deposit Insurance Corporation were allowed to reopen.[14] Claims by Ohio S&L depositors drained the state's deposit insurance funds. A similar event involving Old Court Savings and Loans took place in Maryland.

Midwest Federal Savings & Loan of Minneapolis, Minnesota

Midwest Federal Savings & Loan was a federally chartered savings and loan based in Minneapolis, Minnesota until its failure in 1990.[15] The *St. Paul Pioneer Press* called the bank's failure the "largest financial disaster in Minnesota history."[*citation needed*]

The chairman, Hal Greenwood Jr., his daughter, Susan Greenwood Olson, and two former executives, Robert A. Mampel, and Charlotte E. Masica, were convicted of racketeering that led to the institution's collapse. The failure cost taxpayers $1.2 billion.[16]

Presumably the Megadeth song "Foreclosure of a Dream" was written about this particular failure. Megadeth's then bassist Dave Ellefson contributed lyrics to the song after his family's farm in Minnesota was in jeopardy of being lost as a result of the S&L financial crisis.

Lincoln Savings and Loan

The Lincoln Savings led to the Keating five political scandal, in which five U.S. senators were implicated in an influence-peddling scheme. It was named for Charles Keating, who headed Lincoln Savings and made $300,000 as political contributions to them in the 1980s. Three of those senators—Alan Cranston (D-CA), Don Riegle (D-MI), and Dennis DeConcini (D-AZ)—found their political careers cut short as a result. Two others—John Glenn (D-OH) and John McCain (R-AZ)—were rebuked by the Senate Ethics Committee for exercising "poor judgment" for intervening with the federal regulators on behalf of Keating.[17]

Silverado Savings and Loan

Silverado Savings and Loan collapsed in 1988, costing taxpayers $1.3 billion. Neil Bush, son of then Vice President of the United States George H. W. Bush, was on the Board of Directors of Silverado at the time. Neil Bush was accused of giving himself a loan from Silverado, but he denied all wrongdoing.[18]

The U.S. Office of Thrift Supervision investigated Silverado's failure and determined that Neil Bush had engaged in numerous "breaches of his fiduciary duties involving multiple conflicts of interest." Although Bush was not indicted on criminal charges, a civil action was brought against him and the other Silverado directors by the Federal Deposit Insurance Corporation; it was eventually settled out of court, with Bush paying $50,000 as part of the settlement, the *Washington Post* reported.[19]

As a director of a failing thrift, Bush voted to approve $100 million in what were ultimately bad loans to two of his business partners. And in voting for the loans, he failed to inform fellow board members at Silverado Savings & Loan that the loan applicants were his business partners.[*citation needed*]

Neil Bush paid a $50,000 fine, paid for him by Republican supporters,[20] and was banned from banking activities for his role in taking down Silverado, which cost taxpayers $1.3 billion. A Resolution Trust Corporation Suit against Bush and other officers of Silverado was settled in 1991 for $26.5 million.

Scandals

Jim Wright

On June 9, 1988 the House Committee on Standards of Official Conduct adopted a six-count preliminary inquiry resolution representing a determination by the committee that in 69 instances there was reason to believe that Rep. Jim Wright (D-TX) violated House rules on conduct becoming a Representative.[21] A report by special counsel implicated him in a number of influence peddling charges, such as Vernon Savings and Loan, and attempting to get William K. Black fired from deputy director of the Federal Savings and Loan Insurance Corporation (FSLIC) under Gray, and Rep. Wright resigned May 31, 1989 after being found guilty by the House Ethics Committee.[22]

Keating Five

On November 17, 1989 the Senate Ethics Committee investigation began of the Keating Five, Alan Cranston (D-CA), Dennis DeConcini (D-AZ), John Glenn (D-OH), John McCain (R-AZ), and Donald W. Riegle, Jr. (D-MI), who were accused of improperly intervening in 1987 on behalf of Charles H. Keating, Jr., chairman of the

Lincoln Savings and Loan Association.

Financial Institutions Reform, Recovery and Enforcement Act of 1989

As a result of the savings and loan crisis, Congress passed the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) which dramatically changed the savings and loan industry and its federal regulation.[23] The highlights of the legislation, signed into law August 9, 1989, were:[24]

1. The Federal Home Loan Bank Board (FHLBB) and the Federal Savings and Loan Insurance Corporation (FSLIC) were abolished.
2. The Office of Thrift Supervision (OTS), a bureau of the United States Treasury Department, was created to charter, regulate, examine, and supervise savings institutions.
3. The Federal Housing Finance Board (FHFB) was created as an independent agency to replace the FHLBB, i.e. to oversee the 12 Federal Home Loan Banks (also called district banks) that represent the largest collective source of home mortgage and community credit in the United States.
4. The Savings Association Insurance Fund (SAIF) replaced the FSLIC as an ongoing insurance fund for thrift institutions (like the FDIC, the FSLIC was a permanent corporation that insured savings and loan accounts up to $100,000). SAIF is administered by the Federal Deposit Insurance Corp.
5. The Resolution Trust Corporation (RTC) was established to dispose of failed thrift institutions taken over by regulators after January 1, 1989. The RTC will make insured deposits at those institutions available to their customers.
6. FIRREA gives both Freddie Mac and Fannie Mae additional responsibility to support mortgages for low- and moderate-income families.

Consequences

While not part of the savings and loan crisis, many other banks failed. Between 1980 and 1994 more than 1,600 banks insured by the Federal Deposit Insurance Corporation (FDIC) were closed or received FDIC financial assistance.[25]

From 1986 to 1995, the number of federally insured savings and loans in the United States declined from 3,234 to 1,645.[12] This was primarily, but not exclusively, due to unsound real estate lending.[26]

The market share of S&Ls for single family mortgage loans went from 53% in 1975 to 30% in 1990.[2] U.S. General Accounting Office estimated cost of the crisis to around USD $160.1 billion, about $124.6 billion of which was directly paid for by the U.S. government from 1986 to 1996.[1] That figure does not include thrift insurance funds used before 1986 or after 1996. It also does not include state run thrift insurance funds or state bailouts.

The federal government ultimately appropriated 105 billion dollars to resolve the crisis. After banks repaid loans through various procedures, there was a net loss to taxpayers of approximately $124 billion dollars by the end of 1999.[12]

The concomitant slowdown in the finance industry and the real estate market may have been a contributing cause of the 1990–1991 economic recession. Between 1986 and 1991, the number of new homes constructed dropped from 1.8 to 1 million, the lowest rate since World War II. [2]

Some commentators believe that a taxpayer-funded government bailout related to mortgages during the savings and loan crisis may have created a moral hazard and acted as encouragement to lenders to make similar higher risk loans during the 2007 subprime mortgage financial crisis.[27]

See also

- Financial crisis
- Fractional-reserve banking
- List of corporate scandals
- List of largest U.S. bank failures
- Resolution Trust Corporation
- Subprime mortgage crisis
- Tax Reform Act of 1986
- *Cottage Savings Association v. Commissioner*, a United States Supreme Court case dealing with the tax consequences of the S&L crisis
- *United States v. Winstar Corp.*, a U.S. Supreme Court case that gives a concise but useful history of the crisis and the accounting practices that aggravated that crisis.

Notes

1. ^ ***a b*** "Financial Audit: Resolution Trust Corporation's 1995 and 1994 Financial Statements" (http://www.gao.gov/archive/1996/ai96123.pdf) (PDF). U.S. General Accounting Office. July 1996. pp. 8, 13. http://www.gao.gov/archive/1996/ai96123.pdf.
2. ^ ***a b c*** "Housing Finance in Developed Countries An International Comparison of Efficiency, United States" (http://www.fanniemaefoundation.org/programs/jhr/pdf/jhr_0301_ch6_USA.pdf) (PDF). Fannie Mae. 1992. pp. 4, 8. http://www.fanniemaefoundation.org/programs/jhr/pdf/jhr_0301_ch6_USA.pdf.
3. ^ ***a b c d e*** "Savings and Loan Industry, US" (http://eh.net/encyclopedia/article/mason.savings.loan.industry.us) . EH.Net Encyclopedia, edited by Robert Whaples. June 10, 2003. http://eh.net/encyclopedia/article/mason.savings.loan.industry.us.
4. ^ Cebula, Richard J.; Hung, Chao-shun (1992). *The Savings and Loan Crisis*. p. 57. ISBN 978-0-8403-7620-6. "The Tax Reform Act of 1986 significantly acted to reduce real estate values and to weaken the profit positions of Savings and Loans…"
5. ^ Lewis, Micheal (1989). *Liar's Poker*, p. 83.
6. ^ "Lessons of the Eighties: What Does the Evidence Show?" (http://www.fdic.gov/bank/historical/history/vol2/panel3.pdf) (PDF). FDIC. September 18, 1996. http://www.fdic.gov/bank/historical/history/vol2/panel3.pdf.
7. ^ Bodie, Zvi. "On Asset-Liability Matching and Federal Deposit and Pension Insurance (http://research.stlouisfed.org/publications/review/06/07/Bodie.pdf) ." *Federal Reserve Bank of St. Louis Review*. July/August 2006, 88(4), pp. 323-29.
8. ^ Strunk, Norman; Case, Fred (1988). *Where Deregulation went Wrong: a Look at the Causes behind Savings and Loan Failures in the 1980s*. Chicago: United States League of Savings Institutions. pp. 15–16. ISBN 0-929097-32-7 9780929097329. OCLC 18220698 (//www.worldcat.org/oclc/18220698) .
9. ^ The S&L Crisis: A Chrono-Bibliography (http://www.fdic.gov/bank/Historical/s&l/) , FDIC.
10. ^ Pub.L. 97-34, Economic Recovery Tax Act of 1981, 95 Stat. 172, H.R. 4242 (http://hdl.loc.gov/loc.uscongress/legislation.97hr4242) , 13 August 1981, Title II, 97th Congress.
11. ^ Mishler, Lon; Cole, Robert E. (1995). *Consumer and Business Credit Management*. Homewood, Ill: Irwin. pp. 123–124. ISBN 0-256-13948-2.
12. ^ ***a b c*** Curry, Timothy; Shibut, Lynn. "The Cost of the Savings and Loan Crisis: Truth and Consequences

(http://www.fdic.gov/bank/analytical/banking/2000dec/brv13n2_2.pdf) ." *FDIC Banking Review*. Dec. 2000. pp. 26-34.

13. ^ Emmons, William R.; Pennington-Cross, Anthony N. M. (Jul./Aug. 2006). "Lessons for Federal Pension Insurance from the Savings and Loan Crisis" (http://research.stlouisfed.org/publications/review/06/07/Emmons.pdf) (PDF). *Federal Reserve Bank of St. Louis Review*. http://research.stlouisfed.org/publications/review/06/07/Emmons.pdf.
14. ^ Home State Savings Bank's Failure (http://www.ohiohistorycentral.org/entry.php?rec=1636) , Ohio History Central website
15. ^ *Anderson v. Resolution Trust Corp. (http://bulk.resource.org/courts.gov/c/F3/66/66.F3d.956.html)* , 66 F.3d 956 (8th Cir. 1995).
16. ^ "S.& L. Case Convictions" (http://www.nytimes.com/1991/08/31/business/s-l-case-convictions.html) . *New York Times*. August 31, 1991. http://www.nytimes.com/1991/08/31/business/s-l-case-convictions.html.
17. ^ Dan Nowicki, Bill Muller (2007-03-01). "John McCain Report: The Keating Five" (http://www.azcentral.com/news/specials/mccain/articles/0301mccainbio-chapter7.html) . The Arizona Republic. http://www.azcentral.com/news/specials/mccain/articles/0301mccainbio-chapter7.html. Retrieved 2007-11-23.
18. ^ Tolchin, Martin (September 27, 1990). "Legal Scholars Clash Over Neil Bush Actions" (http://www.nytimes.com/1990/09/27/business/legal-scholars-clash-over-neil-bush-actions.html) . *New York Times*. http://www.nytimes.com/1990/09/27/business/legal-scholars-clash-over-neil-bush-actions.html.
19. ^ Carlson, Peter (December 28, 2003). "The Relatively Charmed Life Of Neil Bush: Despite Silverado and Voodoo, Fortune Still Smiles on the President's Brother" (http://www.washingtonpost.com/ac2/wp-dyn/A35297-2003Dec27) . *Washington Post*. http://www.washingtonpost.com/ac2/wp-dyn/A35297-2003Dec27.
20. ^ "O, Brother! Where Art Thou?: Like Hugh Rodham, the Bush Bros. Have Capitalized on Family Ties (http://www.austinchronicle.com/gyrobase/Issue/story?oid=oid%3A81085) " *The Austin Chronicle*.
21. ^ "Excerpts From Charges Against Wright by the House Panel" (http://www.nytimes.com/1989/04/18/us/excerpts-from-charges-against-wright-by-the-house-panel.html) . *New York Times*. April 18, 1989. http://www.nytimes.com/1989/04/18/us/excerpts-from-charges-against-wright-by-the-house-panel.html.
22. ^ Riccucci, Norma (1995). *Unsung Heroes* (http://books.google.com/books?id=q_WH-CPjsvIC&pg=PA44) . Georgetown University Press. pp. 44–45. ISBN 978-0-87840-595-4. http://books.google.com/books?id=q_WH-CPjsvIC&pg=PA44.
23. ^ Fabozzi, Frank J.; Modigliani, Franco (1992), *Mortgage and Mortgage-Backed Securities Markets*, Harvard Business School Press, p. 26, ISBN 0-87584-322-0
24. ^ *FIRREA — It's Not a New Sports Car*. The Credit World. September–October 1989. p. 20.
25. ^ "The Banking Crises of the 1980s and Early 1990s: Summary and Implications (http://www.fdic.gov/bank/historical/history/3_85.pdf) ," FDIC.
26. ^ Seidman, L. William. "Lessons of the Eighties: What Does the Evidence Show? (http://www.fdic.gov/bank/historical/history/vol2/panel3.pdf) ," FDIC
27. ^ Weiner, Eric (November 29, 2007). "Subprime Bailout: Good Idea or 'Moral Hazard" (http://www.npr.org/templates/story/story.php?storyId=16734629) . NPR.org. http://www.npr.org/templates/story/story.php?storyId=16734629.

References

- Black, William K. (2005). *The Best Way to Rob a Bank is to Own One*. Austin: University of Texas Press. ISBN 0-292-70638-3.
- Lowy, Michael (1991). *High Rollers: Inside the Savings and Loan Debacle*. New York: Praeger. ISBN 0-275-93988-X.
- Mayer, Martin (1992). *The Greatest Ever Bank Robbery : The Collapse of the Savings and Loan Industry*. New York: C. Scribner's Sons. ISBN 0-684-19152-0.
- Pizzo, Steven; Fricker, Mary; Muolo, Paul (1989). *Inside Job: The Looting of America's Savings and Loans*. New York: McGraw-Hill. ISBN 0-07-050230-7.

- Robinson, Michael A. (1990). *Overdrawn: The Bailout of American Savings*. New York: Dutton. ISBN 0-525-24903-6.
- Tolchin, Martin (1990-09-27). "Legal Scholars Clash Over Neil Bush Actions" (http://query.nytimes.com/gst/fullpage.html?res=9C0CE2D61138F934A1575AC0A966958260) . *New York Times*. http://query.nytimes.com/gst/fullpage.html?res=9C0CE2D61138F934A1575AC0A966958260.
- White, Lawrence J. (1991). *The S&L Debacle: Public Policy Lessons for Bank and Thrift Regulation*. New York: Oxford University Press. ISBN 0-19-506733-9.
- Cassell, Mark K. (2003). *How Governments Privatize: The Politics of Divestment in the United States and Germany*. Washington: Georgetown University Press. ISBN 1-58901-008-6.
- Mason, David L. (2001). *From Building and Loans to Bail-Outs: A History of the American Savings and Loan Industry, 1831-1989*. Ph.D dissertation, Ohio State University, 2001.
- Holland, David S. (1998). *When Regulation Was Too Successful--The Sixth Decade of Deposit Insurance*. Greenwood Publishing Group. ISBN 0-275-96356-X.

External links

- FDIC: The S&L Crisis: A Chrono-Bibliography (http://www.fdic.gov/bank/historical/s&l/)
- The Cost of Savings & Loan Crisis: Truth & Consequences (http://www.fdic.gov/bank/analytical/banking/2000dec/brv13n2_2.pdf)
- Classic Financial and Corporate Scandals (http://www.ex.ac.uk/~RDavies/arian/scandals/classic2.html#thrifts)
- (Mis)Understanding a Banking Industry in Transition (http://www.dollarsandsense.org/archives/2007/1107black.html) by William K. Black, from Dollars & Sense Nov/Dec 2007
- *Booknotes* interview with Mayer on *The Greatest-Ever Bank Robbery: The Collapse of the Savings and Loan Industry*, November 25, 1990. (http://www.booknotes.org/Watch/15114-1/Martin+Mayer.aspx)

Categories: Savings and loan crisis | Economic disasters in the United States | Financial services | Financial institutions | Mutual organizations | Presidency of Ronald Reagan | Reagan administration controversies

---